

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05
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SS-15 STR-07 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02
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TO SECSTATE WASHDC PRIORITY 6434
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SUBJECT: PROPOSED INTERNATIONAL ARRANGEMENT ON STEEL
REF: (A) BRUSSELS 05843, (B) TOKYO 04650, (C) STATE
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1. SUMMARY: AFTER INITIAL STUDY OF OUR PROPOSAL FOR AN
INTERNATIONAL STEEL ARRANGEMENT JAPANESE OFFICIALS HAVE EX-
PRESSED WILLINGNESS TO HEAR US OUT, BUT CLEARLY HAVE NUMER-
OUS RESERVATIONS CONCERNING OUR PLAN. GOJ IS STILL VERY
SENSITIVE ON ISSUE OF FORMAL AGREEMENTS THAT COULD IMPLY
GREATER RESTRICTIONS FOR NOT ONLY STEEL TRADE, BUT OTHER
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SECTORS AS WELL. THERE WILL UNDOUBTEDLY BE MANY QUESTIONS
ON PERCEIVED AMBIGUITIES IN THE WORDING OF OUR PROPOSAL
AND THE JAPANESE WILL ALMOST CERTAINLY PROVE TO BE SLOW
AND RELUCTANT IN THEIR RESPONSE. END SUMMARY.
2. WE DISCUSSED PROPOSED INTERNATIONAL STEEL ARRANGEMENT
WITH SEVERAL MITI AND MOFA OFFICIALS. MOST DETAILED COM-
MENT CAME FROM MITI IRON AND STEEL DIVDIR IWASAKI, WHO

SAID THAT WHILE HE HAS "NO OBJECTION" TO MEETING WITH WASHINGTON DEL, HE STILL THINKS (AS HE APPARENTLY TOLD HEIMLICH IN WASHINGTON) THAT AN INTERNATIONAL ARRANGEMENT AS OUTLINED REF C. MAY BE PREMATURE. IWASAKI WONDERED WHAT THE PROPOSED STEEL COMMITTEE WOULD DO THAT WOULD NOT BE DONE IN THE OECD AD HOC GROUP AND ASKED IF WE ARE THINKING OF ELEVATING THE OECD GROUP INTO A MORE PERMANENT COMMITTEE. IWASAKI SAID THAT HE UNDERSTANDS OUR DESIRE FOR ESTABLISHING A PUBLIC FORUM TO HELP MOLLIFY U.S. INDUSTRY PRESSURE. HOWEVER, HE STILL QUESTIONED THE DESIRABILITY OF THE US, EC, AND JAPAN RISKING "EMBARRASSMENT" BY TRYING TO HANDLE SENSITIVE STEEL ISSUES IN A FORMAL COMMITTEE WHEN THE TPS, OECD GROUP, AND MORE INFORMAL CONSULTATIVE MECHANISMS ARE ALREADY AVAILABLE.

3. MITI TRADE POLICY BUREAU OFFICIALS (ECONOMICS DIVDIR KURODA AND HAYASHI OF AMERICAS DIV.) ALSO EXPRESSED WILLINGNESS TO MEET WITH US OFFICIALS, BUT CONCURRED WITH MOFA IN SHOWING GREATER CONCERN ABOUT PROPOSED STEEL ARRANGEMENT'S "SECTORAL IMPLICATIONS". WITHOUT ELABORATING, THEY NOTED PROBLEMS WITH VAGUE WORDING OF PROPOSAL AND SAID THAT ONCE ESTABLISHED, SUCH A COMMITTEE WOULD CERTAINLY LEAD TO GREATER RESTRICTIONS ON STEEL TRADE.

4. MITI OFFICIALS EXPRESSED PREFERENCE FOR MEETING TOWARD END OF NEXT WEEK (MOFA WOULD LIKE TO SCHEDULE TALKS FOR MARCH 31/APRIL 1 SO THAT THEY CAN USE FUNDS FROM NEW JFY BUDGET TO HOST THE MEETINGS). THE JAPANESE WILL NEED MORE LIMITED OFFICIAL USE

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TIME TO CONSULT BEFORE THEY ARE READY TO REPLY TO OUR PROPOSAL FOR AN APRIL 11 TRILATERAL.

5. COMMENT: WHILE WILLING TO HEAR US OUT, THE JAPANESE CLEARLY HAVE SERIOUS RESERVATIONS ABOUT THE IMPLICATION OF WHAT THEY SEE AS A MORE FORMAL AND PERHAPS MORE RESTRICTIVE STEEL ARRANGEMENT. THOUGH PREDICTABLY MORE COOPERATIVE IN EXPLORING WAYS TO REDUCE FRICTIONS IN THE STEEL TRADE, MITI'S BASIC INDUSTRIES BUREAU SHARES THE JAPANESE INDUSTRY'S DESIRE TO KEEP AS LOW A PROFILE AS POSSIBLE. MOFA AND MITI TRADE BUREAU OFFICIALS MEANWHILE REMAIN VERY SENSITIVE TO ANY MOVES THAT IN THEIR VIEW COULD CARTELIZE WORLD STEEL TRADE AND SPILL OVER INTO OTHER SECTORS. WASHINGTON DELEGATION CAN EXPECT MANY QUESTIONS BUT NOT MUCH ENTHUSIASM FROM OUR JAPANESE COUNTERPARTS--THEY CANNOT BE EXPECTED TO MOVE QUICKLY ON AN ISSUE LIKE THIS. MANSFIELD

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